

Michigan Department of Treasury
496 (Rev.06/08)**Auditing Procedures Report V1.04**

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	CHARTER TOWNSHIP OF MIDLAND	County	MIDLAND	Type	TOWNSHIP	MuniCode	56-1-120
Opinion Date-Use Calendar	Jun 11, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 567,654.00
General Fund Expenditure:	\$ 541,349.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,356,740.00
Governmental Activities Long-Term Debt (see Instructions):	\$ 2,755,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	MARK	Last Name	FREED	Ten Digit License Number			1101012221
CPA Street Address	5915 EASTMAN AVENUE	City	MIDLAND	State	MI	Zip Code	48640
CPA Firm Name	BURNSIDE & LANG, PC	Unit's Street Address	1030 POSEYVILLE RD	City	MIDLAND	LU Zip	48640

CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended December 31, 2007

CHARTER TOWNSHIP OF MIDLAND
BOARD OF TRUSTEES

Terry Holt	Supervisor
Tim Mott	Treasurer
Korene Labadie	Clerk
Shelly Armstrong	Trustee
Jim Avery	Trustee
Mike McCann	Trustee
Mark Radosa	Trustee

POPULATION-2000
2,297

STATE EQUALIZED VALUATION-2007
\$76,212,230

STATE TAXABLE VALUE-2007
\$64,070,811

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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Independent Auditors' Report

Members of The Township
Board of Trustees
Charter Township of Midland
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Midland (the "Township"), Midland County, Michigan, as of and for the year ended December 31, 2007 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Midland, as of December 31, 2007 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Burnside & Lang, P.C.

Midland, Michigan
June 11, 2008

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2007**

Using This Annual Report

This annual report of the Charter Township of Midland (the "Township") consists of a series of financial statements. The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. The Governmental Fund financial statements of the Township tell how these services were financed in the short-term, as well as what remains for future spending. The Governmental Fund financial statements of the Township also report the Township's operations in more detail than the Government-Wide Statements of Net Assets and the Government-Wide Statements of Activities.

The Township As A Whole

The net assets of the Township were \$3,577,473. In a condensed format, the table below shows net assets for the Township for the years ended December 31, 2007 and 2006:

	2007	2006
Current Assets	\$ 3,348,725	\$ 3,270,547
Noncurrent Assets	3,762,682	3,854,259
Total Assets	7,111,407	7,124,806
Liabilities	(3,533,934)	(3,620,641)
Net Assets:		
Invested in Capital Assets	1,007,682	939,259
Restricted	1,207,343	1,226,061
Unrestricted	1,362,448	1,338,845
Total Net Assets	\$ 3,577,473	\$ 3,504,165

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2007**

The Township As A Whole (Continued)

Unrestricted net assets is the part of net assets that can be used to finance day to day operations. The current level of unrestricted net assets for the Township stands at \$1,362,448, or about 150% of operating expenses. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The following table shows the changes of the net assets for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 204,697	\$ 263,666
 General Revenues		
Property taxes	306,193	261,339
State revenue sharing	160,216	161,972
Contributions from local units	87,122	124,908
Interest earnings	139,772	104,733
Miscellaneous	3,436	5,095
Total Revenues	<u>901,436</u>	<u>921,713</u>
Program Expenses		
General government	477,250	485,701
Fire protection	56,560	91,612
Building inspection and regulation activities	14,041	12,811
Public works	29,475	71,733
Flood control	96	94
Township improvements	-	27,115
Planning and zoning	7,539	15,244
Interest and fiscal charges	311,590	162,440
Total governmental activities	<u>896,551</u>	<u>866,750</u>
Change in net assets	<u>\$ 4,885</u>	<u>\$ 54,963</u>

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2007**

General Fund Budgetary Highlights

Over the course of the year the Township Board amended the budget to take into account events during the year. Total expenditures in the budget for the general fund were \$573,638. Overall, the general fund had a positive variance of \$136,473.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

Exhibit 2

CHARTER TOWNSHIP OF MIDLAND
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2007

ASSETS

Cash and cash equivalents	\$ 2,381,184
Accounts receivable	589,083
Taxes receivable	225,301
Due from other funds	42,680
Due from other governmental units	26,913
Deposit - fire truck	83,564
Capital assets:	
Land	102,400
Buildings and improvements, net	318,451
Township equipment, net	1,928
Fire department equipment, net	69,876
Fire department vehicles, net	239,927
Water system, net	3,030,100
Total capital assets	<u>3,762,682</u>
Total assets	<u>7,111,407</u>

LIABILITIES

Accounts payable	189,851
Deferred revenue	589,083
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	170,000
Portion due or payable after one year:	
Bonds and contracts payable	<u>2,585,000</u>
Total liabilities	<u>3,533,934</u>

NET ASSETS

Invested in capital assets, net of related debt	1,007,682
Restricted for:	
Debt service	1,207,343
Unrestricted	<u>1,362,448</u>
Total net assets	<u>\$ 3,577,473</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF MIDLAND
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2007**

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 47,230	\$ -	\$ -	\$ -	\$ (47,230)
Supervisor	14,839	-	-	-	(14,839)
Treasurer	16,506	-	-	-	(16,506)
Assessing	13,000	-	-	-	(13,000)
Clerk	18,493	-	-	-	(18,493)
Elections	2,728	-	-	-	(2,728)
Board of review	645	-	-	-	(645)
Buildings and grounds	22,159	33,000	-	-	10,841
All other general government	337,341	31,210	-	-	(306,131)
Public safety	80,713	24,733	-	-	(55,980)
Building inspection and regulation activities	14,041	5,127	-	-	(8,914)
Public works	101,208	11,355	-	-	(89,853)
Flood control	96	-	-	-	(96)
Township improvements	-	-	-	-	-
Planning and zoning	7,539	-	-	-	(7,539)
Interest and fiscal charges	151,590	99,272	-	-	(52,318)
Total governmental activities	\$ 828,128	\$ 204,697	\$ -	\$ -	(623,431)
General revenues:					
Property taxes, levied for general purposes					306,193
State revenue sharing					160,216
Contributions from local units					87,122
Interest earnings					139,772
Miscellaneous					3,436
Total general revenues					696,739
Change in net assets					73,308
Net assets-beginning					3,504,165
Net assets-ending					\$ 3,577,473

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF MIDLAND
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2007**

	General Fund	Flood Control Fund	Township Improvement Revolving Fund	Water Debt Service Fund	Building Department Fund	Total
ASSETS						
Cash and cash equivalents	\$ 1,167,311	\$ 7,945	\$ 1,202,640	\$ 5,525	\$ (2,237)	\$ 2,381,184
Accounts receivable, net	-	-	589,083	-	-	589,083
Taxes receivable, net	225,301	-	-	-	-	225,301
Due from other township funds	42,680	-	-	-	-	42,680
Due from other governmental units	26,913	-	-	-	-	26,913
Deposit - fire truck	83,564					\$ 83,564
Total assets	\$ 1,545,769	\$ 7,945	\$ 1,791,723	\$ 5,525	\$ (2,237)	\$ 3,348,725
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 189,029	\$ -	\$ 822	\$ -	\$ -	\$ 189,851
Deferred revenue	-	-	589,083	-	-	589,083
Total liabilities	189,029	-	589,905	-	-	778,934
Fund balances:						
Reserved for:						
Unreserved	1,356,740	7,945	1,201,818	5,525	(2,237)	2,569,791
Total fund balances	1,356,740	7,945	1,201,818	5,525	(2,237)	2,569,791
Total liabilities and fund balances	\$ 1,545,769	\$ 7,945	\$ 1,791,723	\$ 5,525	\$ (2,237)	\$ 3,348,725

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF MIDLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2007

Total fund balances for governmental funds (Exhibit 4) \$ 2,569,791

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	102,400	
Buildings and improvements, net of \$303,343 accumulated depreciation		318,451	
Township equipment, net of \$34,170 accumulated depreciation		1,928	
Fire department equipment, net of \$37,283 accumulated depreciation		69,876	
Fire department vehicles, net of \$323,968 accumulated depreciation		239,927	
Water system, net of \$556,560 accumulated depreciation		<u>3,030,100</u>	
Total capital assets			3,762,682

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at December 31, 2007 are:

Midland County Water Supply System Bonds, Series 2000	\$	<u>(2,755,000)</u>	
			<u>(2,755,000)</u>

Total net assets of governmental activities (Exhibit 2)	\$	<u><u>3,577,473</u></u>	
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF MIDLAND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended December 31, 2007

	General Fund	Flood Control Fund	Township Improvement Revolving Fund	Water Debt Service Fund	Building Department Fund	Total
REVENUES						
Property taxes and related fees	\$ 288,907	\$ -	\$ 17,286	\$ -	\$ -	\$ 306,193
Licenses and permits	31,210	-	-	-	11,355	42,565
State aid	160,216	-	-	-	-	160,216
Contributions from local units	-	-	87,122	-	-	87,122
Charges for services	24,733	-	33,000	-	-	57,733
Interest and dividends	54,025	80	85,667	-	-	139,772
Rents and royalties	4,175	-	-	-	-	4,175
Fines and forfeits	952	-	-	-	-	952
Special assessments	-	-	99,272	-	-	99,272
Miscellaneous	3,436	-	-	-	-	3,436
Total revenues	567,654	80	322,347	-	11,355	901,436
EXPENDITURES						
General government	477,250	-	-	-	-	477,250
Public safety	56,560	-	-	-	-	56,560
Public works	-	96	29,475	-	14,041	43,612
Capital outlay	-	-	-	-	-	-
Community development	7,539	-	-	-	-	7,539
Debt service	-	-	-	311,590	-	311,590
Total expenditures	541,349	96	29,475	311,590	14,041	896,551
Excess (deficiency) of revenues over expenditures	26,305	(16)	292,872	(311,590)	(2,686)	4,885
OTHER FINANCING SOURCES (USES)						
Transfers-in	-	-	-	311,590	-	311,590
Transfers-out	-	-	(311,590)	-	-	(311,590)
Total other financing sources and uses	-	-	(311,590)	311,590	-	-
Net change in fund balances	26,305	(16)	(18,718)	-	(2,686)	4,885
Fund balances-beginning	1,330,435	7,961	1,220,536	5,525	449	2,564,906
Fund balances-ending	\$ 1,356,740	\$ 7,945	\$ 1,201,818	\$ 5,525	\$ (2,237)	\$ 2,569,791

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF MIDLAND
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
December 31, 2007**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	4,885
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$110,598) exceeded capital outlay (\$19,021) in the current period.		(91,577)
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Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Midland County Water Supply System Bonds, Series 2000	160,000	
		160,000

Change in net assets of governmental activities (Exhibit 3)	\$	73,308
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF MIDLAND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
December 31, 2007

ASSETS

Cash and cash equivalents	\$ 249,159
Taxes receivable	-
Total assets	<u>249,159</u>

LIABILITIES

Due to other governmental units	206,479
Due to other funds	42,680
Total liabilities	<u>249,159</u>
NET ASSETS	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Midland (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected seven-member board. The accompanying financial statements present the Township operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Although the Township 2006 ad valorem tax is levied and collectible on December 1, 2007, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2007 taxable valuation of the Township totaled \$64.1 million, on which ad valorem taxes levied consisted of 4.0000 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The government reports the following funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Flood Control Fund is a special revenue fund which accounts for expenditures on public works activities.

The Township Improvement Revolving Fund is a special revenue fund which accounts for the collections from water hookup fees and surcharges added to water bills which are to be used for the repayment of long-term debt.

The Water Debt Service Fund is a debt service fund which accounts for expenditures for long-term debt payments of the Township.

The Building Department Fund is special revenue fund which accounts for revenues from licenses and permits and expenditures for public safety activities.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Additionally, the government reports the following fund type:

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	25 to 40 years
Building improvements	20 to 40 years
Water systems	50 years
Fire apparatus	25 years
Fire equipment	5 to 25 years
Office equipment	5 to 10 years
Computer equipment	5 to 10 years

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level. The Township had one expenditure in excess of the budgeted amount for the year ended December 31, 2007

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
All other general government	\$ 240,540	\$ 341,650

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	<u>\$ 2,381,184</u>	<u>\$ 249,159</u>	<u>\$ 2,630,343</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	<u>\$ 2,630,343</u>
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The bank balance of the government deposits is \$2,630,343, of which \$400,000 is covered by federal deposit insurance.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,230,343 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Charter Township of Midland will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township's current investments have no potential interest rate risk.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 102,400	\$ -	\$ -	\$ 102,400
Capital Assets Being Depreciated				
Buildings and improvements	612,099	9,695	-	621,794
Township equipment	35,277	822	-	36,099
Fire department equipment	98,656	8,505	-	107,161
Fire department vehicles	731,867	-	(167,972)	563,895
Water system	3,586,660	-	-	3,586,660
Subtotal	<u>5,064,559</u>	<u>19,022</u>	<u>(167,972)</u>	<u>4,915,609</u>
Less Accumulated Depreciation for				
Buildings and improvements	288,263	15,080	-	303,343
Township equipment	33,002	1,169	-	34,171
Fire department equipment	30,739	6,544	-	37,283
Fire department vehicles	475,870	16,070	(167,972)	323,968
Water System	484,826	71,733	-	556,559
Subtotal	<u>1,312,700</u>	<u>110,596</u>	<u>(167,972)</u>	<u>1,255,324</u>
Net Capital Assets Being Depreciated	<u>3,751,859</u>	<u>(91,574)</u>	<u>-</u>	<u>3,660,285</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 3,854,259</u>	<u>\$ (91,574)</u>	<u>\$ -</u>	<u>\$ 3,762,685</u>

Depreciation expense was charged to programs of the Township as follows:

General Government	\$ 14,708
Public Safety	24,155
Public Works	<u>71,733</u>
	<u>\$ 110,596</u>

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 42,680	Tax Collection	\$ 42,680
<hr/>			
Total	<u>\$ 42,680</u>		<u>\$ 42,680</u>

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The County of Midland, on behalf of the Township, issued Water Supply System bonds. The Township is responsible for payment of such bonds and debt service which is being financed by a combination of hookup/user fee charged to property owners, and a debt service and maintenance surcharge added to water bills. Revenue from the hookup fee is being recognized in the Township Improvement Revolving fund. The expenditures for debt service made are reflected in the Water Debt Service fund.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 6. LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Balance 01-01-07</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12-31-07</u>
2000 Water Supply Bonds; due 12/31/2019	5.35%	<u>\$ 2,915,000</u>	<u>-</u>	<u>\$ 160,000</u>	<u>\$ 2,755,000</u>

Scheduled payments of long-term debt for years subsequent to December 31, 2007 are as follows:

<u>Year Ending December 31,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	\$ 147,392	\$ 170,000	\$ 317,392
2009	138,297	180,000	318,297
2010	128,667	190,000	318,667
2011	118,502	200,000	318,502
2012	107,803	210,000	317,803
Thereafter	<u>406,329</u>	<u>1,805,000</u>	<u>2,211,329</u>
	<u>\$ 1,046,990</u>	<u>\$ 2,755,000</u>	<u>\$ 3,801,990</u>

NOTE 7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 8. PENSION PLAN

The Township's defined contribution pension plan investments are held in trust by the fiduciary, Manufacturers Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township pension plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real property. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township provides pension benefits to members of the Township Board of Trustees for those who elect to participate.

**CHARTER TOWNSHIP OF MIDLAND
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 8. PENSION PLAN (Continued)

Contributions to the pension plan are based on 7.5% of wages for Township Board members. Benefits in the plan vest immediately at 100%.

For the year ended December 31, 2007 the Township made its contribution of \$3,558. The value of the plan's assets and vested benefits as of December 31, 2007 is \$46,267.

NOTE 9. URBAN COOPERATION ACT AGREEMENT

On December 24, 1992, the Charter Township of Midland and the City of Midland entered into an Urban Cooperation Act agreement. Under this agreement, revenue derived from the levy of ad valorem property taxes of specific taxes levied in lieu of general ad valorem property taxes of a portion of the commercial and industrial property located within the city of Midland will be shared with the Charter Township of Midland. In return for the revenue sharing agreement, the Township agrees that its Township board, during the duration of this agreement, will assist the City of Midland and agrees to provide water service at their expense to a certain City/Township boundary. The duration of this is thirty years, beginning on the effective date of December 30, 1992, and continuing to December 31, 2022.

NOTE 10. SUBSEQUENT EVENT

On February 12th, 2007 the Township entered into an agreement with Rosenbauer America for the purchase of a new Fire Pumper Apparatus at a total cost of \$242,222. Upon completion of the chassis, \$83,564 was paid to the company, and the balance due will be paid upon delivery. The estimated delivery date is March 2008.

CHARTER TOWNSHIP OF MIDLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 227,000	\$ 227,000	\$ 288,907	\$ 61,907
Licenses and permits	8,100	8,100	31,210	23,110
State aid	165,800	165,800	160,216	(5,584)
Charges for services	41,300	41,300	24,733	(16,567)
Interest and dividends	16,670	16,670	54,025	37,355
Rents and royalties	2,000	2,000	4,175	2,175
Fines and forfeits	-	-	952	952
Miscellaneous	2,600	2,600	3,436	836
Total revenues	463,470	463,470	567,654	104,184
EXPENDITURES				
General Government:				
Towship board	59,165	59,165	47,230	11,935
Supervisor	14,515	14,515	14,839	(324)
Treasurer	18,645	18,645	16,506	2,139
Assessing	13,000	13,000	13,000	-
Clerk	20,245	20,245	18,493	1,752
Elections	3,960	3,960	2,728	1,232
Board of review	1,325	1,325	645	680
Buildings and grounds	44,100	44,100	22,159	21,941
All other general government	240,540	240,540	341,650	(101,110)
Public Safety:				
Fire protection	132,018	132,018	56,560	75,458
Community Development:				
Planning and zoning	26,125	26,125	7,539	18,586
Total expenditures	573,638	573,638	541,349	32,289
Net change in fund balances	(110,168)	(110,168)	26,305	136,473
Fund balances-beginning	1,330,435	1,330,435	1,330,435	-
Fund balances-ending	\$ 1,220,267	\$ 1,220,267	\$ 1,356,740	\$ 136,473

June 11, 2008

To the Board of Trustees
Charter Township of Midland
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of the Charter Township of Midland (the "Township") as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

SIGNIFICANT DEFICIENCIES

Financial Accounting and Reporting

Management relies on the Township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the Township has

Financial Accounting and Reporting (Continued)

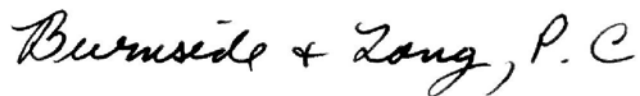
determined that the costs to establish internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

This report is intended for the information of the members of the Charter Township of Midland Board, management and the State of Michigan.

This communication is intended solely for the information and use of management, Charter Township of Midland Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.

June 11, 2008